



RAD 101: Public Housing Conversions

Live Session August 1, 2013



WELCOME

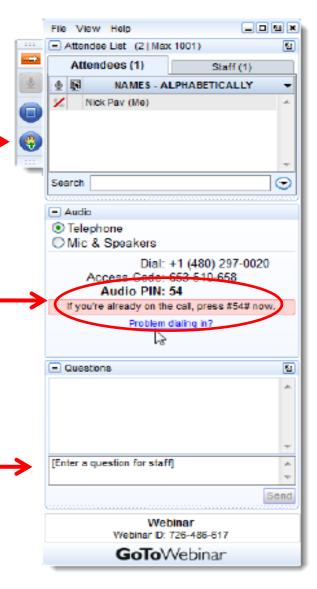


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RAD BASICS



What?

- Allows 60,000 public housing units <u>to convert to long-term Section</u>
 8 rental assistance contracts
- PIH Notice 2012-32 REV 1

Why?

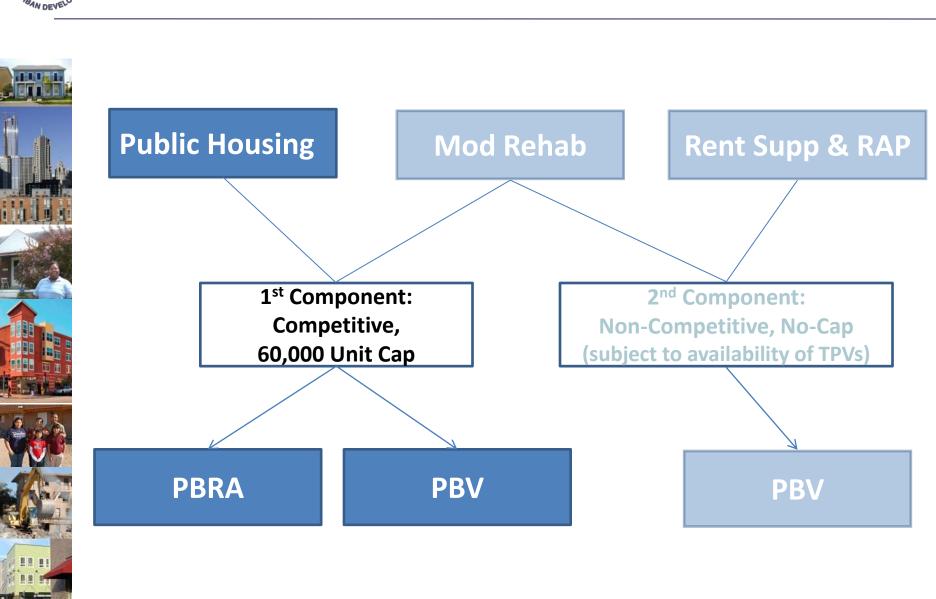
- Access private debt and equity to finance capital needs
- Program simplification/streamlining
- Better platform for long-term preservation

Conversion Options

- Project-Based Rental Assistance (PBRA)
- Project-Based Vouchers (PBV)



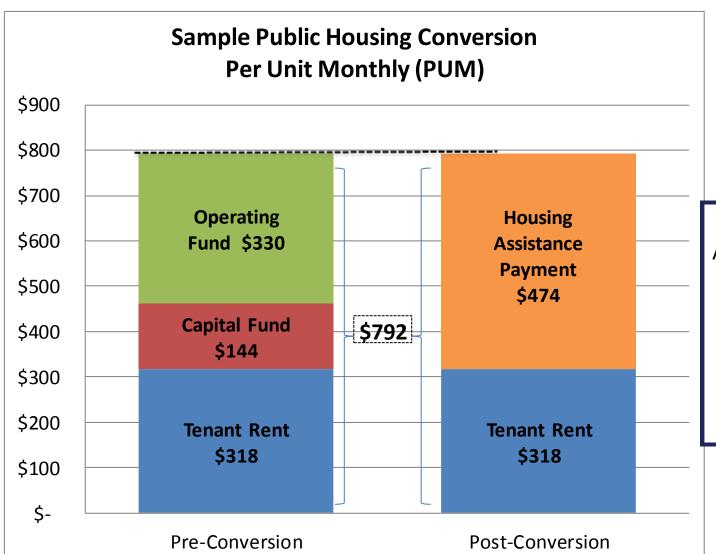
RAD CONVERSION ELIGIBILITY





RAD SECTION 8 CURRENT FUNDING RENT LEVELS





At conversion,
PHAs will
convert
funding to a
Section 8
contract rent





Predictable initial contract rent setting (FY 2012 Baseline for applications received in CY 13)

Annual operating cost adjustment factor (OCAF)

RAD HAP funding begins at construction closing

No limitation on use of project cash flow

HAP contract Renews

Use Agreement





PBV

Component of PHA's Housing Choice Voucher Program. Voucher funding administered by PHA (w/ admin fee)

15 years (up to 20 with approval of voucher agency)

Choice mobility option provided to families, if requested, after one-year of residency

Contract rent caps: Lower of current funding; reasonable rent; 110% FMR minus utilities

Housing Quality Standards (HQS)

If PBV>50% social services mandatory in family projects (elderly, disabled, scattered sites exempted)

PBRA

Provided to owners by HUD's Office of Housing via a HAP (Part of HUD Multifamily). Projects monitored by HUD/PBCAs

20 year contract

Subject to annual appropriations, but strong history of full appropriations

Choice mobility option can be limited to 15% of the RAD project units and/or 33% of the PHA's annual HCV turn-over

Contract rent caps: Lower of current funding and 120% FMR minus utilities (higher with RCS)

REAC Inspection standard



RAD FINANCING SOURCES



Debt

- Conventional
- Secondary

FHA Insurance

- 223(f) & 221(d)(3) with priority processing
- LIHTC Pilot

LIHTCs

- 9%
- 4% w/ "Short Bonds"

Public Housing Funds

- Operating Reserves
- Capital Funds
- Replacement Housing Factor funds
- Sales Proceeds

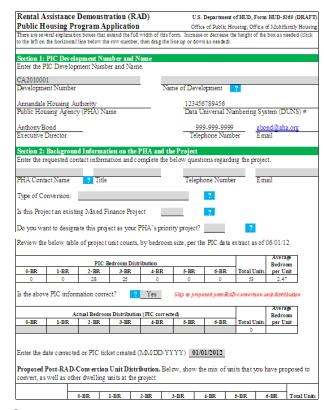


RAD Application -> CHAP (30 days)

- Resident Consultation
- Board Approval
- Financing Letter of Interest

Notes:

- Apply for full or partial AMP
- No SAC approval
- Projects with CHAPs exempt from Public Housing Assessment System (PHAS)
- No cap on number of units a PHA may apply for





CHAP Milestones

30 Days. Lender Engagement

60 Days. Significant Amendment to Annual Plan

90 Days. Physical Conditions Assessment (PCA)

150 Days. Application for Firm Commitments

180 Days. FINANCING PLAN → RAD Conversion

Commitment (RCC)

320 Days. Firm Commitment

360 Days. CLOSING

Notes:

Flexibility with tax credit rounds

Subsidy layering review performed by RAD Team





- Close Construction Financing
- Execute HAP Contract and Use Agreement
- Remove ACC Units and Declaration of Trust
- Subsidy Begins ("Rehab Assistance Payments")



ADDITIONAL FLEXIBILITIES



- Market accommodations of meeting 1-for-1 replacement
- Demolition/New construction allowed
- Public or non-profit ownership/control with exception for LIHTC partnerships
- Transfer of converted assistance to another site permitted



RESIDENT REQUIREMENTS



- Residents have a right to return post-rehab
- Resident procedural Rights outlined in section 6 of the Act and details in the RAD Notice
- Resident participation funding
- Right to establish resident organization





- Rent Bundling. Adjust Contract Rents across multiple projects as long as aggregate subsidy does not exceed current funding
- MTW agencies may use existing voucher funds to set initial contract rents
 - Not to exceed market rent
 - Subject to Subsidy Layering Review
 - Subject to MTW continued service requirements
- Anticipated RHF funds can be collateralized into RAD rent

2/2/2012



RENT BUNDLING EXAMPLE

Project B

80

\$60,000 per

unit

\$650

\$720

		Project A	Proje
H .	Units	120	
	Capital Needs	\$10,000 per unit	\$60
	RAD Contract Rent (Weighted PUM)	\$700	
	Total Gross Potential Rents	\$1,63	2,000
	Proposed Rent Bundling		
	New RAD Contract Rent	\$653	
	Total Gross Potential Rents	\$1,63	2,000
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FUTURE REPLACEMENT HOUSING FACTOR (RHF)



Example

- PHA converting 100 unit project with RAD Contract Rent = \$600
- PHA scheduled to receive sum of \$840,000 in RHF over the next 7 Years

Rent Adjustment Calculation

- \$840k ÷ 20 years ÷ 100 units ÷ 12 months = \$35 PUM
- New RAD Rent = \$635 PUM



APPLICATION FLEXIBILITIES



Portfolio conversions

- PHA defines "portfolio" of projects, either the entire PHA inventory or some subset
- PHA must submit applications for at least half of the projects in portfolio
- HUD will reserve award for remaining units in portfolio
- PHA must submit application for remaining projects in portfolio within 365 days

Multi-phase conversion

- Allows PHAs to reserve conversion authority for projects with multiple development phases with applicable contract rent for all phases
- PHA has until July 1, 2015 to submit application for final phase
- PHA required to fulfill all CHAP milestones for each CHAP awarded
- Upon application acceptance, HUD will issue CHAP for initial phase and multi-phase award letter covering all phases of project

All project conversions included in a Portfolio Award or Multi-Phase award submitted in CY 2013 can convert at rents 2012 baseline rents



AWARD SUMMARY (UPDATED 7/11/13)



- 132 CHAP awards, representing 14,781 units
- 51% conversion to PBRA, 49% conversion to PBV
- Over 60% of proposals planning to use LIHTCs
- Over 60 partnering lenders and investors
- Expected to raise \$816M in debt and equity investments

9/18/2013



AWARD SUMMARY

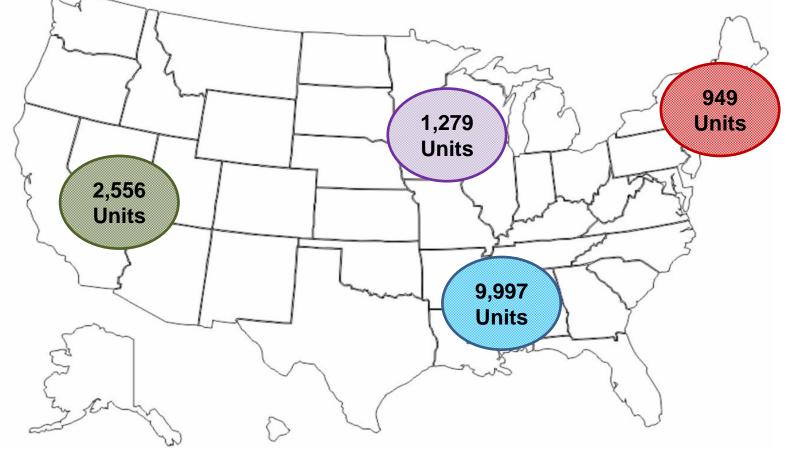


Capital Needs

- 26% proposed Greater than \$50K in Rehab or New Construction
- 18% proposed \$30K 50K in Rehab
- 18% proposed \$10K 30K in Rehab
- 38% proposed Less than \$10K in Rehab



	Northeast	Midwest	South	West	Total
Public Housing and Mod					
Rehab Units Awarded	949	1,279	9,997	2,556	14,781





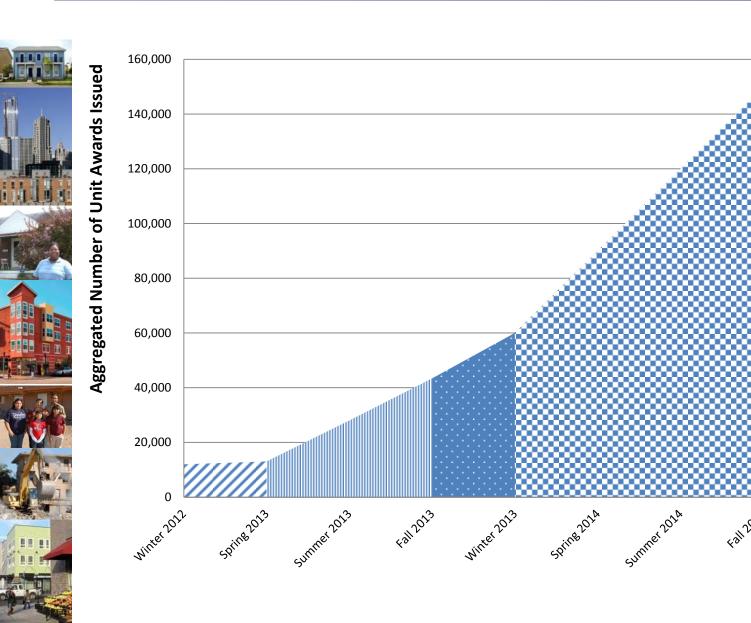


PHA Objectives

- Modernize aging family & elderly properties
- Sub rehab of deteriorated properties
- Thin densities/mix-incomes via PBVs & transfer authority
- Demolish/replace severely distressed/obsolete properties
- Portfolio streamlining



RAD AWARDS TREND CHART



Awards-to-Date

- IIII Awards Expected
 Based on
 Application
 Trends
- Awards Expected Based on Current Outreach
- Anticipated Future Awards





RAD Notice, application materials, and additional resources can be found at

www.hud.gov/rad

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